

3-3-10, Bachus: Get Our Fiscal House In Order

March 3, 2010

WASHINGTON - Financial Services Committee Ranking Member Spencer Bachus made the following statement on the Republican alternative at today's Full Committee Markup on "Budget Views and Estimates for 2011."

Mr. Chairman, this is a substitute amendment that offers a Republican vision of what should be our Committee's budget priorities -- addressing our nation's unsustainable debt path and getting our fiscal house in order.

The sovereign debt crisis in Greece is a stark reminder of the need to concentrate on real fiscal reform. The analogy I use for our deficit problems is "thin ice." You may get away with walking on it for a while, but thin ice is always dangerous and eventually it collapses.

Last week, Federal Reserve Chairman Ben Bernanke delivered his semi-annual monetary policy report to Congress. I commented that the President's FY 2011 budget will double the national debt in five years and triple it in ten years. I expressed my opinion that the federal deficit levels and budget path are unsustainable and asked Chairman Bernanke for his opinion. In response, he said that "given the numbers that the CBO or the OMB has projected, that's right." He said this is not a long term, far off economic problem, but one that could be upon us sooner than we think.

Chairman Bernanke then offered a very important warning that I hope my colleagues will listen to: "I do think that it's very important that we begin to look at the path, the trajectory, of the deficit as it goes forward...it would be very helpful, even to the current recovery, if there were a sustainable credible plan for a fiscal exit."

Currently, the unsustainable deficits are hindering the ability of the economy to recover. These deficits are creating enormous fear among consumers and business owners, who are reluctant to spend, invest, and hire new workers because of uncertainty over new taxes, higher interest rates and the expanding role of government in the economy.

These deficits also threaten the ability of the Federal Reserve to achieve its mission of price stability and maximum employment.

We need an exit strategy from unsustainable and reckless government spending. This committee can start by recommending a number of important policy changes outlined in the Republican substitute. First, we should end the TARP program immediately, return the unused funds to the taxpayers, and lower the national debt limit. This would avoid the need for the jobs-killing TARP expansion tax recently proposed by the President.

According to one study, the 10-year, \$90 billion tax on financial companies, most of which either did not receive TARP funds or have already repaid those funds with interest, will lead to fewer loans to U.S. businesses and consumers, reduced economic activity, and as many as 2.4 million lost jobs

Second, a plan is needed this year for winding down the GSEs and extricating the taxpayers from the open-ended bailouts of Fannie Mae and Freddie Mac, which were at the center of the mortgage market meltdown that caused the financial crisis. On February 24th, Treasury Secretary Tim Geithner confirmed in testimony before the Budget Committee what some of us had suspected for some time: that the Obama Administration has no plan for reforming the housing finance system or resolving the long-term future of the GSEs. The bailouts have already cost taxpayers almost \$127 billion, and are likely to cost them three to four times that amount by the time the Administration figures out an exit strategy. This is irresponsible and unacceptable, and this Committee's budget views should say so.

In addition, the failure to account for the cost of the government takeover of Fannie and Freddie not only undermines budget accountability, but it also makes our efforts to encourage the deployment of private capital to the housing finance market more difficult because of uncertainty about their mission and objectives. Our colleague, Scott Garrett, introduced a bill last week that would put the taxpayer cost of the government takeover on-budget, and would bring badly needed transparency, accountability and oversight to these agencies. Our submission to the Budget Committee should support that effort.

Mr. Chairman, we need to get serious about reducing the debt and deficits, and the budget views and estimates of this Committee need to reflect that seriousness. There is no easy answer and no painless way out of our difficulties. But we can start by ending the bailouts, being transparent about the cost of our policy decisions, recognizing that we can't afford to pile new housing programs on top of failed ones, and holding government regulators, such as the Securities and Exchange Commission, accountable for their failures. This is what the Republican substitute seeks to achieve, and I urge my colleagues to support it.

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